



Louisiana Senate Finance Committee



FY21 Proposed Budget

04-165 – Department of Insurance

June 2020

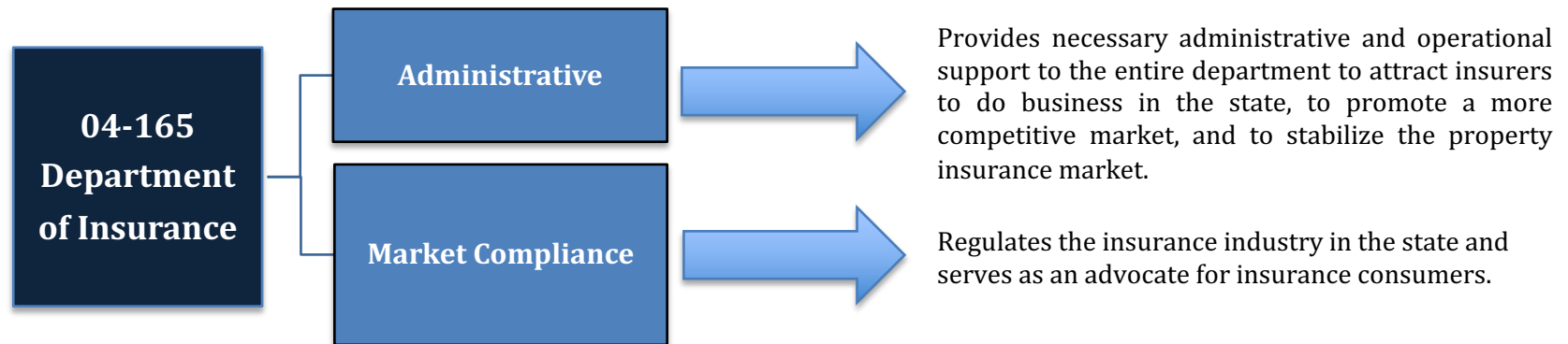
*Sen. Patrick Page Cortez, President
Sen. Bodi White, Chairman*



FY21 Proposed Budget

Schedule 04-165 — Department of Insurance

Departmental mission — The mission of the Louisiana Department of Insurance is to regulate the insurance industry in the state (licensing of producers, insurance adjusters, public adjusters, and insurers), and to serve as an advocate for the state's insurance consumers.



Total Funding — All Means of Finance

Total Funding	FY19 Actual	FY20 Enacted	FY20 EOB as of 12-1-19	FY21 Proposed	Difference FY19 EOB HB1 vs. FY20 Proposed
Administrative	\$ 11,512,263	\$ 12,521,106	\$ 12,521,106	\$ 13,113,010	\$ 591,904
Compliance	\$ 18,125,003	\$ 20,308,730	\$ 20,308,730	\$ 20,309,832	\$ 1,102
TOTAL	\$ 29,637,266	\$ 32,829,836	\$ 32,829,836	\$ 33,422,842	\$ 593,006
Total Authorized FTEs	222	222	222	222	-

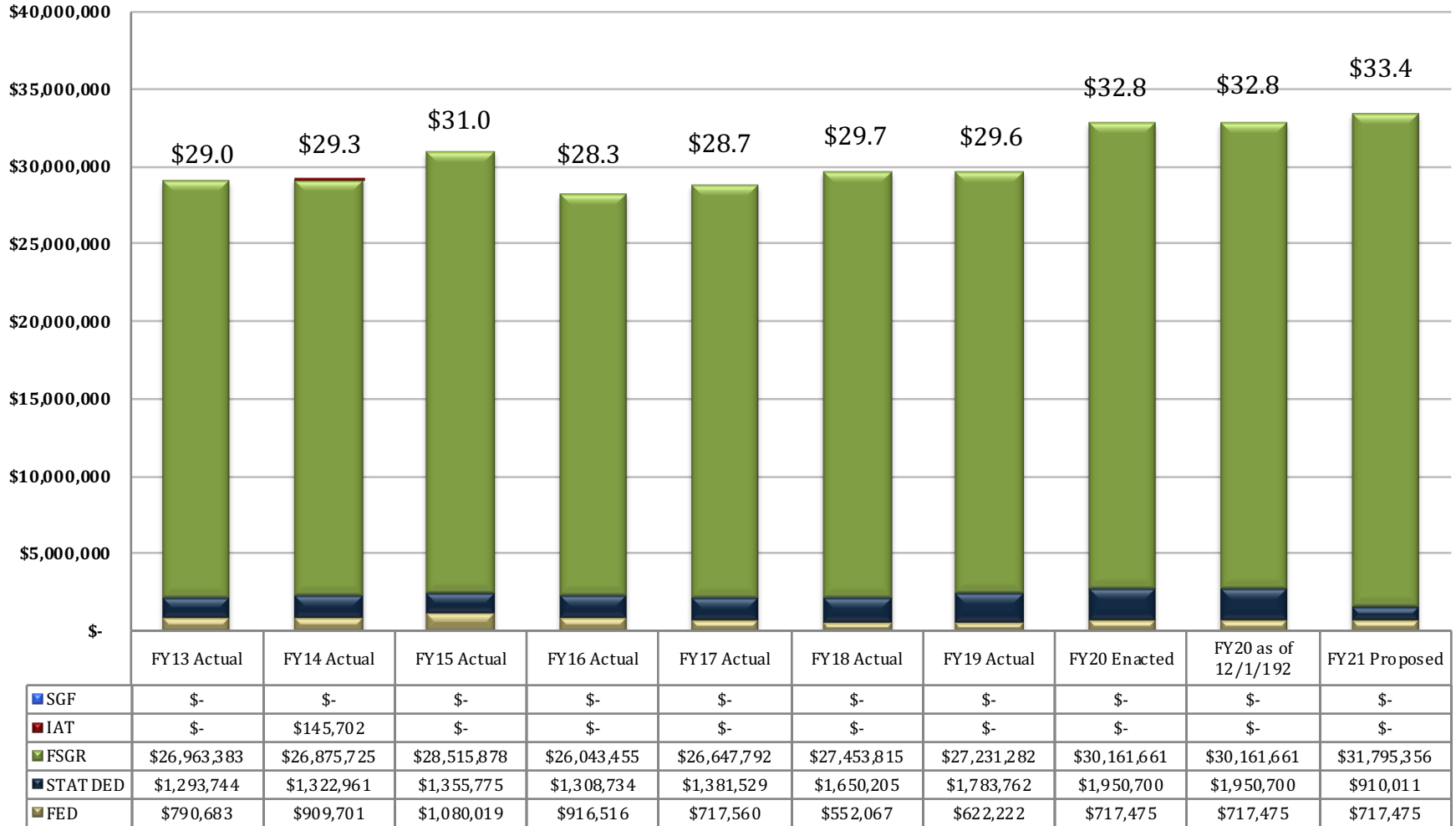


Department of Insurance

Changes in Funding since FY13

Total Budget by Fiscal Year and Means of Finance
(in \$ millions)

Change from FY13 to FY21 is +15.2%.





Statewide Budget Adjustments Proposed for FY21

State General Fund (Direct)	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal Funds	Total	T.O.	Adjustment
\$0	\$0	\$30,161,661	\$1,950,700	\$717,475	\$32,829,836	222	FY20 Existing Operating Budget as of 12-1-19
\$0	\$0	\$347,229	\$28,843	\$0	\$376,072	0	Market Rate Salary Adjustment – Classified
\$0	\$0	\$0	\$0	\$0	\$0	0	Unclassified Pay Increase
\$0	\$0	\$192,998	\$0	\$0	\$192,998	0	Civil Service Training Series Adjustment
\$0	\$0	\$130,050	\$0	\$0	\$130,050	0	Related Benefits Base Adjustment
\$0	\$0	(\$47,113)	\$0	\$0	(\$47,113)	0	Retirement Rate Adjustment
\$0	\$0	\$45,899	\$0	\$0	\$45,899	0	Group Insurance Rate Adjustment for Active Employees
\$0	\$0	\$38,283	\$0	\$0	\$38,283	0	Group Insurance Rate Adjustment for Retirees
\$0	\$0	\$149,398	\$0	\$0	\$149,398	0	Salary Base Adjustment
\$0	\$0	(\$602,022)	\$0	\$0	(\$602,022)	0	Attrition Adjustment
\$0	\$0	\$626,650	\$0	\$0	\$626,650	0	Acquisitions & Major Repairs
\$0	\$0	(\$625,135)	\$0	\$0	(\$625,135)	0	Non-recurring Acquisitions & Major Repairs
\$0	\$0	\$0	\$0	\$0	\$0	0	Non-recurring Carryforwards
\$0	\$0	(\$4,608)	\$0	\$0	(\$4,608)	0	Risk Management
\$0	\$0	\$37,637	\$0	\$0	\$37,637	0	Legislative Auditor Fees
\$0	\$0	(\$53,849)	\$0	\$0	(\$53,849)	0	Maintenance in State-owned Buildings
\$0	\$0	\$7,365	\$0	\$0	\$7,365	0	Capitol Park Security
\$0	\$0	(\$584)	\$0	\$0	(\$584)	0	UPS Fees
\$0	\$0	\$6,017	\$0	\$0	\$6,017	0	Civil Service Fees
\$0	\$0	(\$1,616)	\$0	\$0	(\$1,616)	0	State Treasury Fees
\$0	\$0	\$2,365	\$0	\$0	\$2,365	0	Office of Technology Services (OTS)
\$0	\$0	\$82,901	\$0	\$0	\$82,901	0	Administrative Law Judges
\$0	\$0	(\$17,702)	\$0	\$0	(\$17,702)	0	Office of State Procurement
\$0	\$0	\$314,163	\$28,843	\$0	\$343,006	0	Total Statewide Adjustments
\$0	\$0	\$1,069,532	(\$1,069,532)	\$0	\$0	0	Total Means of Financing Substitution Adjustments
\$0	\$0	\$0	\$0	\$0	\$0	0	Total Non-Recurring Other Adjustments
\$0	\$0	\$250,000	\$0	\$0	\$250,000	0	Total Other Adjustments
\$0	\$0	\$31,795,356	\$910,011	\$717,475	\$33,422,842	222	Total FY21 Proposed Budget
\$0	\$0	\$1,633,695	(\$1,040,689)	\$0	\$593,006	0	Total Adjustments (Statewide and Agency-Specific)



Department of Insurance

Non-Statewide Adjustments for FY21

Means of Financing Substitutions

State General Fund (Direct)	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal Funds	Total	T.O.	Adjustment
\$0	\$0	\$1,069,532	(\$1,069,532)	\$0	\$0	0	Market Compliance -Means of finance substitution removing funding from the Statutorily Dedicated Administrative Fund and increasing the fund account re-classified as Fees & Self-Generated Revenue in accordance with Act 404 of the 2019 Regular Legislative Session.
\$0	\$0	\$1,069,532	(\$1,069,532)	\$0	\$0	\$0	Total MOF Substitutions

Other Adjustments

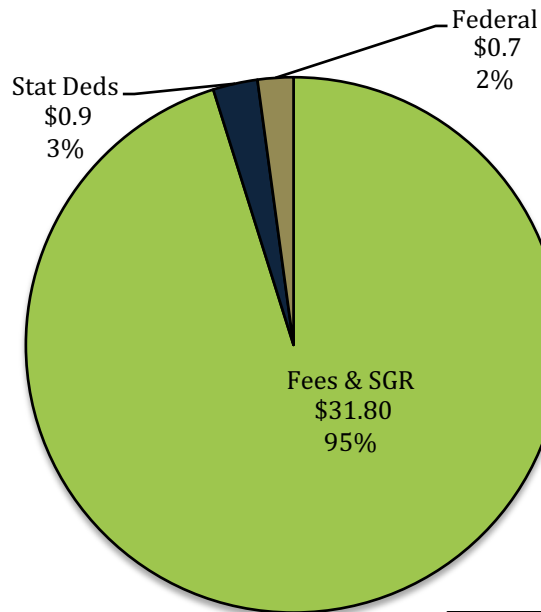
State General Fund (Direct)	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal Funds	Total	T.O.	Adjustment
\$0	\$0	\$250,000	\$0	\$0	\$250,000	0	Administrative - This adjustment is for increased costs associated with maintaining the Department of Insurance network infrastructure against malware, ransomware, and other malicious processes. This will provide the department the consulting, analysis and programming services that will be required to make changes to the systems resulting from legislative mandates, regulatory and internal changes.
\$0	\$0	\$250,000	\$0	\$0	\$250,000	0	Total Other Adjustments



Department of Insurance

FY21 Proposed Means of Finance

**FY21 Proposed
Total Means of Finance
(In Millions)**



Total \$33.4 m.

Non-SGF Sources of Funding:

Non-SGF means of finance in the department include **Fees and Self-generated Revenues, Statutory Dedications, and Federal Funds.**

Fees and Self-generated Revenues* are derived from various fees and licenses authorized by R.S. 22 and the Louisiana Insurance Rating Assessment authorized by R.S. 22:1419. Over the last three years, the department has reverted on average \$14 million annually in fees & self-generated revenues.

The **Statutory Dedications** are funded by the Insurance Fraud Investigation Fund (S) from assessments on various insurance policies written in the state; the Administrative Fund (S) (Health Insurance Portability Administrative Act) comprised of penalties and an assessment not to exceed .0005 of the amount of premiums received in this state by health insurers during the preceding year ending December 31; and the Automobile Theft and Insurance Fraud Prevention Authority Fund (S) from grants and assessments on various policies written in Louisiana.

Federal Funds are derived from the CFDA 93.324 Department of Health & Human Services Administration for Community Living CDAP State Health Insurance Assistance Program.



Department of Insurance Dedicated Funds FY19, FY20, and FY21

Dedicated Funds	Source of Funding	FY19 Actual	FY20 EOB	FY21 Proposed
Administrative Fund - Department of Insurance	Assessment on Insurance Premiums	\$1,082,158	\$1,069,532	\$0
Auto. Theft and Insurance Fraud Prev. Auth. Fund	Settlements and judgments related to fraud cases	\$187,196	\$227,000	\$227,000
Insurance Fraud Investigation Fund	Assessment on Insurance Premiums	\$514,408	\$654,168	\$683,011
TOTALS		\$1,783,762	\$1,950,700	\$910,011

Dedicated Fund Review Subcommittee recommendation FY2018 Review – Act 612 of 2018:

Administrative Fund of the Department of Insurance = Eliminate and reclassify to Fees & Self-generated revenues



Department of Insurance

FY20 Enacted vs. FY21 Proposed Means of Finance by Agency

FY20 Enacted Total MOF by Agency	SGF	IAT	FSGR	Stat Deds	Federal	Total
Administrative	\$0	\$0	\$11,773,631	\$30,000	\$717,475	\$12,521,106
Market Compliance	\$0	\$0	\$18,388,030	\$1,920,700	\$0	\$20,308,730
TOTALS	\$0	\$0	\$30,161,661	\$1,950,700	\$717,475	\$32,829,836
FY21 Proposed Total MOF by Agency	SGF	IAT	FSGR	Stat Deds	Federal	Total
Administrative	\$0	\$0	\$12,365,535	\$30,000	\$717,475	\$13,113,010
Market Compliance	\$0	\$0	\$19,429,821	\$880,011	\$0	\$20,309,832
TOTALS	\$0	\$0	\$31,795,356	\$910,011	\$717,475	\$33,422,842
<i>Difference FY20 Enacted to FY21 Proposed</i>	<i>\$0</i>	<i>\$0</i>	<i>\$1,633,695</i>	<i>(\$1,040,689)</i>	<i>\$0</i>	<i>\$593,006</i>

The FY21 Proposed Budget for the Department of Insurance is an increase of \$593,006 over FY20 Enacted. This equates to a percentage increase of 1.8.

Fees and Self-generated Revenues increased by \$1.6 million in FY21. There was a decrease in Statutory Dedications of \$1 million. Federal Funds showed no change.



Dept. of Insurance Categorical Expenditures

FY19, FY20, and FY21

Expenditure Category	FY19 Actual	FY20 EOB (as of 12-01-19)	FY21		Difference FY20 to FY21
			Proposed Budget	Category as Percent of Total	
Personal Services:	\$22,091,304	\$23,823,772	\$24,107,337	72.13%	\$283,565
Salaries	\$14,045,413	\$14,874,740	\$15,031,125	44.97%	\$156,385
Other Compensation	\$216,409	\$214,942	\$214,942	0.64%	\$0
Related Benefits	\$7,829,482	\$8,734,090	\$8,861,270	26.51%	\$127,180
Operating Expenses:	\$2,451,630	\$2,733,132	\$2,983,132	8.93%	\$250,000
Travel	\$178,383	\$242,313	\$242,313	0.72%	\$0
Operating Services	\$2,147,584	\$2,347,395	\$2,597,395	7.77%	\$250,000
Supplies	\$125,663	\$143,424	\$143,424	0.43%	\$0
Professional Services	\$2,704,004	\$3,756,387	\$3,756,387	11.24%	\$0
Other Charges:	\$1,771,429	\$1,891,410	\$1,949,336	5.83%	\$57,926
Other Charges	\$198,150	\$227,000	\$227,000	0.68%	\$0
Debt Service	\$0	\$0	\$0	0.00%	\$0
Interagency Transfers	\$1,573,279	\$1,664,410	\$1,722,336	5.15%	\$1,722,336
Acquisitions & Major Repairs:	\$618,899	\$625,135	\$626,650	1.87%	\$1,515
Acquisitions	\$618,899	\$625,135	\$626,650	1.87%	\$1,515
Major Repairs	\$0	\$0	\$0	0.00%	\$0
Total Expenditures	\$29,637,266	\$32,829,836	\$33,422,842	100.00%	\$593,006

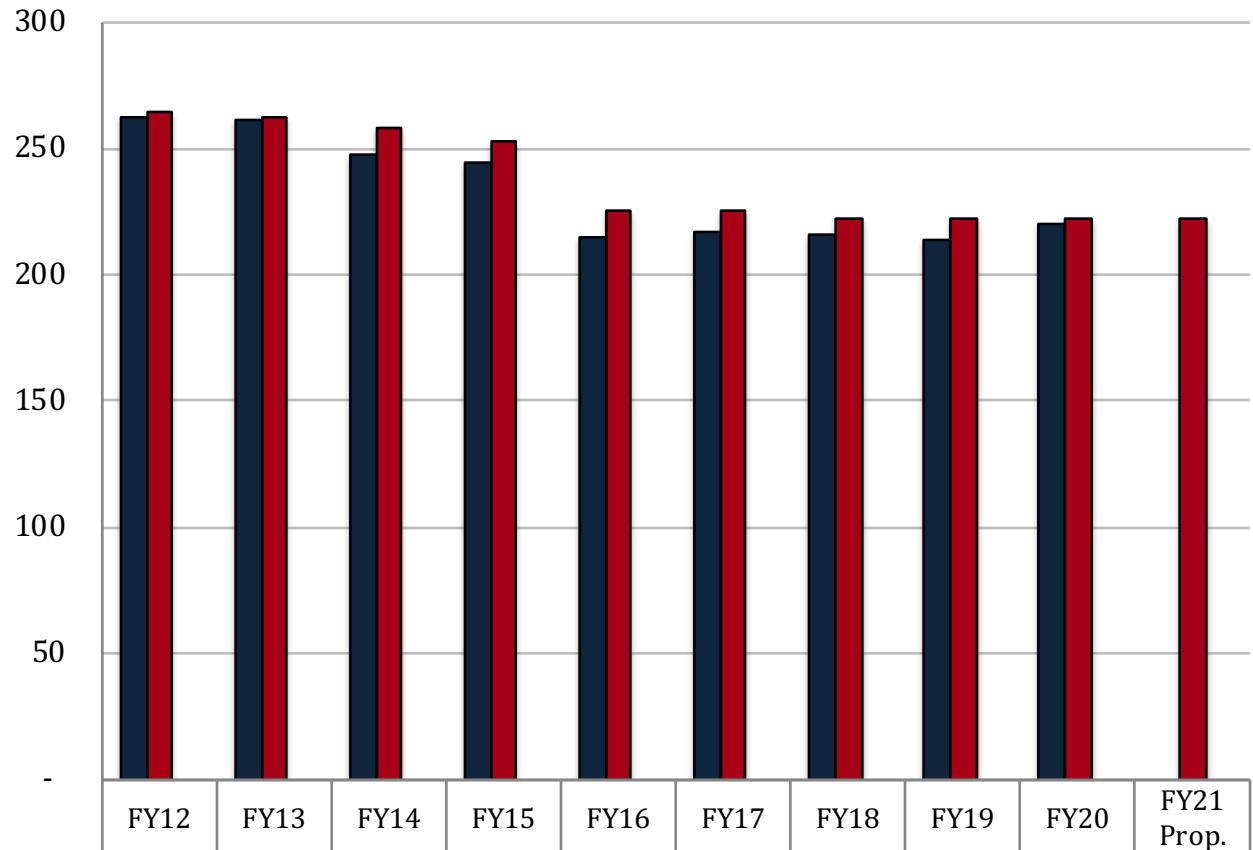


Department of Insurance

FTEs, Authorized Positions, and Other Charges Positions

FY21 Proposed Budget includes funding for related benefits of all positions in the amount of \$8.9m.

Out of the \$8.9m, \$5m are for UAL payments, \$1.3m are for retirees' health benefits, the remaining amount of \$2.5m are the employer contributions to the benefits of active employees, of which 0% is SGF.



■ Total FTEs (as of July 1 of each fiscal year)	262	261	248	244	215	217	216	214	220	-
■ Total Authorized Positions (Enacted)	265	263	258	253	225	225	222	222	222	222
■ Authorized Other Charges Positions	-	-	-	-	-	-	-	-	-	-

Notes:

Data for Total FTEs uses the first weekly employment report published by State Civil Service in July at the start of the named fiscal year.

Data for Total Authorized Positions uses fiscal year enacted levels, except for FY20 Proposed.

Data for Other Charges Positions are reflected in the Executive Budget per Act 377 of the 2013 Regular Legislative Session (beginning in FY15).



FY21 Proposed Budget

Department of Insurance — Staff Demographic Data

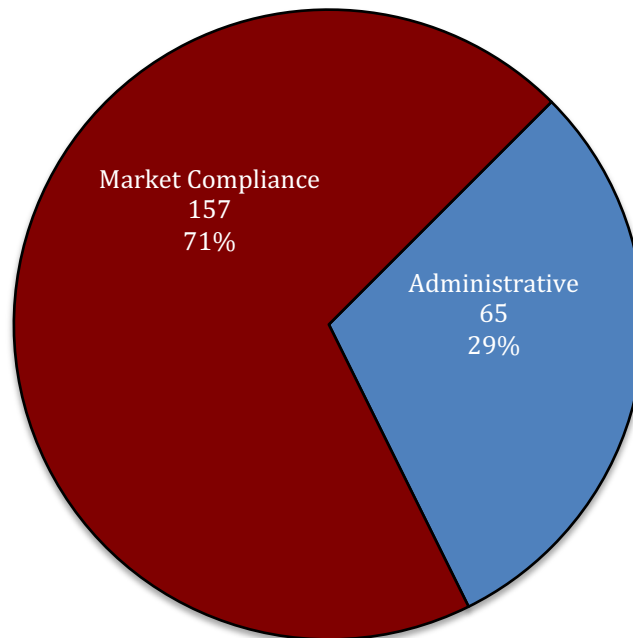
The following table shows a breakdown of departmental staff by demographic data.

Gender	
Female	144
Male	80
Race	
Black	74
White	147
Other	3
Retirement Eligible Within 1 Year	
	48



Department of Insurance

FY21 Proposed Total Authorized Positions by Agency



Market Compliance - These positions include the Office of Financial Solvency, Consumer Services, Licensing, Health, Life & Annuity, and Property & Casualty. The remaining positions are in Legal Services and the Division of Insurance Fraud.

Administrative - This includes positions for the Office of Management & Finance which administers the entire department. The remaining positions work in the Office of the Commissioner and participate in overall support and regulatory oversight.

Dept. of Insurance	
Administrative	65
Market Compliance	157
TOTAL	222



Insurance

Enacted Appropriation vs. Actual Expenditure Analysis — FY17 to FY19

The following charts show Enacted vs. Actual budget comparisons for the specified fiscal years. Rarely are these totals exactly the same. The differences can be attributed to a number of reasons: revenue that was not collected, and therefore, expenditures that could not be made; unanticipated revenue shortfalls that may require a supplemental appropriation; expenditure authority that was anticipated to be needed but the expense never materialized; etc.

Insurance	FY17 Enacted	FY17 Actual	FY17 Difference
State General Fund	\$0	\$0	\$0
Interagency Transfers	\$0	\$0	\$0
Fees and Self-generated Revenues	\$28,606,463	\$26,647,792	(\$1,958,671)
Statutory Dedications	\$1,445,979	\$1,381,529	(\$64,450)
Federal	\$1,309,816	\$717,560	(\$592,256)
TOTAL	\$31,362,258	\$28,746,881	(\$2,615,377)

Note 1 – Negative *Difference* numbers show excess budget authority or less revenue than anticipated.

Insurance	FY18 Enacted	FY18 Actual	FY18 Difference
State General Fund	\$0	\$0	\$0
Interagency Transfers	\$0	\$0	\$0
Fees and Self-generated Revenues	\$28,639,884	\$27,453,817	(\$1,186,067)
Statutory Dedications	\$1,738,353	\$1,650,205	(\$88,148)
Federal	\$716,006	\$552,066	(\$163,940)
TOTAL	\$31,094,243	\$29,656,088	(\$1,438,155)

Note 2 — Cells highlighted in yellow mean more funding was needed or that a funding source was underbudgeted.

Insurance	FY19 Enacted	FY19 Actual	FY19 Difference
State General Fund	\$ -	\$ -	\$0
Interagency Transfers	\$ -	\$ -	\$0
Fees and Self-generated Revenues	\$ 29,342,980	\$ 27,231,282	(\$2,111,698)
Statutory Dedications	\$ 1,817,750	\$ 1,783,762	(\$33,988)
Federal	\$ 717,475	\$ 622,222	(\$95,253)
TOTAL	\$ 31,878,205	\$ 29,637,266	(\$2,240,939)

In any given year, the Department of Insurance tends to be most overbudgeted in Fees and Self-generated Revenues, dedicated funds and Federal Funds.



Department of Insurance House Amendments to HB 105

House Amendments to HB105						
HB 105	State General Fund	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal	TOTAL
Original	\$0	\$0	\$31,795,356	\$910,011	\$717,475	\$33,422,842
Appropriations Amendments:	State General Fund	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal	TOTAL
Transfers funds from the Administrative/Fiscal Program to the Market Compliance Program for administrative law judges.	\$0	\$0	\$0	\$0	\$0	\$0
Engrossed	\$0	\$0	\$31,795,356	\$910,011	\$717,475	\$33,422,842
<i>Difference HB105 Original to HB105 Engrossed</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>

HB 1 Original is the same total as HB 105 Re-engrossed at \$33,422,842.